

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

FNB Bancorp / First National Bank of Northern California

Point of Contact:	David A. Curtis	RSSD: (For Bank Holding Companies)	3047743
UST Sequence Number:	846	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	12,000,000	FDIC Certificate Number: (For Depository Institutions)	18767
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	February 27, 2009	City:	South San Francisco
Date Repaid ¹ :	N/A	State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☐ Increase lending or reduce lending less than otherwise would have occurred.

☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The Preferred Stock investment received from the CPP allowed the Bank to increase our provision for loan losses while increasing our regulatory capital ratios.

☒ Reduce borrowings.

The proceeds from the CPP capital were initially used to repay FHLB advances outstanding.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The CPP capital was not leveraged. We used the capital to repay debt (outstanding FHLB advances). It allowed us to increase our capital ratio and provided the capital strength necessary to be able to provide loan workouts and other loan concessions as needed.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The CPP funds received allowed the Bank to keep our Tier 1 capital at above 9% leverage capital and 12% risk based capital, even at the worst point in this latest economic downturn. The capital levels listed are the minimum capital levels our regulator, the OCC, currently requires us to maintain.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Without receipt of the CPP Preferred Stock, the institution may have been required to seek other forms of new capital to the Bank, which would have been more expensive, and could have caused significant shareholder dilution.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

With the CPP funds, our capital position has been strong enough to allow the Bank to open a new branch office in San Francisco.